

Message Text

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DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: GDS

TAGS: ECON, EFIN, GW

SUBJECT: GNP: FORECASTS AND COMMENTS

1. THE FRG WILL SOON RELEASE ITS FORECAST OF GNP GROWTH FOR 1975 IN THE OFFICIAL ANNUAL ECONOMIC REPORT. IN THE MEANTIME, HOWEVER, SEVERAL PRESTIGIOUS VOICES ARE SPEAKING OUT ON THE SUBJECT OF 1975 ECONOMIC DEVELOPMENTS IN GERMANY. ECONOMICS MINISTER FRIDERICH'S IN A SPEECH DELIVERED JANUARY 23 FORECAST 2 PERCENT REAL GROWTH IN GNP WITH A 4 PERCENT INCREASE IN EXPORTS AND A 6 PERCENT IMPORT RISE. THE HAMBURG ECONOMIC RESEARCH INSTITUTE WAS SLIGHTLY MORE PESSIMISTIC IN ITS MOST RECENTLY PREPARED REPORT. FORECASTING A 1.5 PERCENT GROWTH RATE IN GNP FOR THE FULL YEAR WITH NEGATIVE GROWTH DURING THE FIRST HALF.

2. THE DEPUTY ASSISTANT SECRETARY IN THE ECONOMICS MINISTRY RESPONSIBLE FOR MACRO-ECONOMIC ANALYSIS AND
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FORECASTING TOLD AN EMBOFF THAT HE SEES GNP GROWTH IN

1975 BEING IN THE 1 TO 2 PERCENT RANGE. FURTHERMORE, HE SAID THAT RATHER THAN THE UPTURN COMING IN EARLY SUMMER AS CHANCELLOR SCHMIDT HAS RECENTLY INDICATED, HE PERSONALLY PROJECTS THE UPTURN COMING TOWARD THE END OF THE THIRD QUARTER 1975. WHEN ASKED WHAT THE FRG SOON-TO-BE RELEASED ANNUAL ECONOMIC REPORT WILL FORECAST FOR 1975 HE DECLINED TO BE SPECIFIC. THE REASON FOR THIS, HE SAID, WAS THAT EVEN THOUGH THE FIRST DRAFT WAS IN CIRCULATION AMONGST THE GOVERNMENT OFFICIALS CONCERNED AND ON A TECHNICAL BASIS THE NUMBERS ARE FIRM, IT WAS POSSIBLE THAT POLITICAL EXIGENCIES MIGHT DICTATE AN ALTERATION OF THE FIGURES BEFORE IT IS PUBLISHED.

3. A SOURCE IN THE CHANCELLERY, WHEN SPEAKING ON THE SAME SUBJECT TO AN EMBOFF, SAID THAT THE ANNUAL ECONOMIC REPORT IS A POLITICAL PAPER WHICH DOES NOT HAVE ALL THAT MUCH SOLID ECONOMIC CONTENT. HAVING SEEN THE DRAFT, HE SAID THE 1975 REAL GNP FORECAST WILL VARY BETWEEN ZERO AND PLUS TWO PERCENT, DEPENDING UPON HOW THE POLITICIANS AND NOT THE ECONOMISTS VIEW THE SITUATION. IT WILL HAVE TO BE A COALITION DECISION, AND WILL BE MADE WITH AN EYE TO THE EFFECT ON THE SPRING LAND ELECTIONS. HIS ADVICE WAS NOT TO ATTRIBUTE TOO MUCH WEIGHT TO THE FORECAST WHEN IT BECOMES PUBLIC.

4. A VISIT TO THE WIESBADEN HEADQUARTERS OF THE FEDERAL STATISTICAL OFFICE ELICITED SOME INTERESTING COMMENTS FROM THE OFFICIAL IN CHARGE OF NATIONAL ACCOUNTS REGARDING THE COMPARABILITY OF GNP DATA. SHE SAID THAT DUE TO THE USE OF SEVERAL DIFFERENT STANDARDS BY VARIOUS MEMBER COUNTRIES OF THE OECD, SOME USING THE OLD 1952 OECD SYSTEM AND OTHERS THE NEWER U.N. STANDARD, AS TO DEFINITIONS AND CLASSIFICATION, IT WAS DIFFICULT TO COMPARE DATA BY COMPONENT AND COUNTRY. FURTHERMORE, SEASONAL ADJUSTMENT METHODS VARIED, ADDING TO THE CONFUSION. SHE SAID THE FRG STATISTICAL OFFICE PUBLISHES NO SEASONALLY ADJUSTED DATA BUT LEAVES THE OECD TO DO THIS IN THE PREPARATION OF ITS PUBLICATIONS. THE DATA IS GIVEN THE OECD ACCORDING TO THE 1952 OECD MANUAL STANDARDS. ON THE OTHER HAND, THE FRG STATISTICAL

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PUBLICATIONS ARE PREPARED ACCORDING TO A GERMAN STANDARD THAT LIES SOMEWHERE BETWEEN THE OECD AND U.N. STANDARDS. WHILE THE STATISTICAL OFFICE HAS A PRIVATE SEASONAL ADJUSTMENT PROCEDURE, IT CONSIDERS IT INSUFFICIENTLY REFINED AND HAS A PREFERENCE FOR THE BERLIN-BASED GERMAN ECONOMIC RESEARCH INSTITUTE (DIW) SEASONAL ADJUSTMENT. THE ECONOMICS MINISTRY, ON THE OTHER HAND, LIKES THE SEASONAL ADJUSTMENT METHODOLOGY OF

THE BUNDESBANK BETTER AND THEREFORE USES IT IN ITS
ANALYSES. AS RESULT,
COMPARISON OF GNP DATA FROM GERMAN SOURCES, LET ALONE
THE OECD, BECOMES A SOMEWHAT LESS THAN ACCURATE EXERCISE.
HILLENBRAND

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